

Message Text

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ACTION NEA-16

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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 0469

INFO AMEMBASSY

AMEMBASSY MANAMA

AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY JIDDA

AMEMBASSY TEHRAN

C O N F I D E N T I A L KUWAIT 3315

E.O. 11652: GDS

TAGS: ELAB, ENRG: KU

SUBJECT: THREAT OF PETROLEUM WORKERS STRIKE RECEDES

SUMMARY: CHANCES FOR STRIKE BY KUWAIT'S PRINCIPAL OIL AND
PETROCHEMICAL UNIONS AGAINST FOUR COMPANIES WHICH EFFECTIVELY
GOK CONTROLLED SEEM TO BE RECEDING AS BOTH SIDES ASSESS POTENTIAL
DAMAGE IN SUCH CONFRONTATION. HOWEVER, COMPANIES OFFER AS
DICTATED BY GOK ARE STILL 50 PERCENT LESS THAN UNIONS DEMANDING
AND BOTH SIDES STILL HAVE WAY TO GO BEFORE REACHING AGREEMENT.
END SUMMARY.

1. IN WAKE OF RECENT GENEROUS PAY BOOSTS FOR GOK EMPLOYEES
AND MODERATELY SUCCESSFUL BANK WORKERS STRIKE, KUWAIT GENERAL
FEDERATION OF PETROLEUM AND PETROCHEMICAL WORKERS ENCOMPASSING
UNIONS FROM FOUR SEPARATE COMPANIES HAS THREATENED AN AUGUST
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15 GENERAL STRIKE IF SUBSTANTIAL COST-OF-LIVING INCREASES AND

VARIOUS OTHER FRINGE BENEFITS ARE NOT GRANTED. THE STRIKE THREAT APPLIES TO KUWAIT OIL COMPANY, NOW 60 PERCENT GOK OWNED; MARGINAL PRODUCER AMINOIL STILL A 100 PERCENT SUBSIDIARY OF R.J. REYNOLDS; THE KUWAIT NATIONAL PETROLEUM CO., 60 PERCENT GOK OWNED; AND THE KUWAIT CHEMICAL FERTILIZER COMPANY, 80 PERCENT GOK OWNED.

2. WHILE STRIKES HERE WITHOUT GOK PERMISSION ARE ILLEGAL, GOK FINDS ITSELF IN BIND BECAUSE OF IT PREVIOUS UNWILLINGNESS OR INABILITY TO PREVENT LIMITED STRIKES AGAINST FOREIGN OR PRIVATE INTERESTS. NOW THAT GOK EFFECTIVELY CONTROLS COUNTRY'S LARGEST OIL PRODUCER, IT WILL FIND IT HARDER TO PLAY THE ROLE OF THE MEDIATOR USUALLY PROTECTING COUNTRY'S WORKERS FROM THE "EXCESSES AND GREED" OF PRIVATE EMPLOYERS.

3. PRESENTLY OIL AND PETROCHEMICAL WORKERS, WHO TRADITIONALLY HAVE RECEIVED MORE GENEROUS WAGES AND BENEFITS THAN GOK EMPLOYEES, ARE CALLING FOR COST-OF-LIVING INCREASES ON THE ORDER OF 25 TO 30 PERCENT AND ABOVE TO MATCH RECENT GOVERNMENT PAY BOOSTS. IF COMPANIES GRANT SUCH INCREASES OTHER AUTOMATIC ESCALATION CLAUSES IN AREAS SUCH AS HOUSING ALLOWANCES WILL TAKE EFFECT. GOK HAS EVIDENTLY ORDERED COMPANIES TO GRANT ONLY ABOUT HALF THIS AMOUNT WHICH ROUGHLY EQUALS OFFICIAL 1973 RATE OF INFLATION FIGURES OF 13 PERCENT. GOK HAS ALSO QUIETLY THREATENED TO BRING IN OUTSIDE WORKERS IF NECESSARY.

4. TO DATE, AMONOIL WORKERS HAVE APPEARED MOST AMENABLE TO SETTLEMENT AND EVEN ACCEPTED COMPANY'S OFFER ONLY TO WITHDRAW ACCEPTANCE SEVERAL DAYS LATER IN FACE OF PARENT UNION'S STRONG OPPOSITION.

5. MOST RECENT DEVELOPMENTS AS REFLECTED IN LOCAL PRESS REPORTS HAS BOTH SIDES CONTINUING TO MEET AND WHILE STILL REJECTING EACH OTHER'S TERMS BACKING AWAY FROM A CONFRONTATION.

6. COMMENT: WHILE KUWAITI UNIONS HAVE SHOWN INCREASING INDEPENDENCE AND A WILLINGNESS TO TAKE RISKS, AN AUGUST CONFRONTATION BETWEEN THE UNIONS AND, IN EFFECT, THE GOVERNMENT WOULD APPEAR TO BE IN NEITHER SIDE'S INTEREST. GOK FACES NATIONAL ASSEMBLY ELECTIONS AND MAY BE LOATHE TO ALIENATE BEDUS WHO FORM BACKBONE OF THESE UNIONS. ON THE OTHER HAND, KUWAITI NATIONALS, CONFIDENTIAL

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WHO ONLY UNION MEMBERS WITH VOTING RIGHTS, COMPRISE ONLY SMALL PERCENTAGE OF TOTAL WORK FORCE AND MUST DEPEND ON INTIMIDATION TO MAKE THEIR WALKOUT EFFECTIVE. WITH NATIONAL ASSEMBLY OUT OF SESSION, GOK CAN, IF IT CHOOSES, ACT STRONGLY TO RENDER ANY SUCH STRIKE INEFFECTIVE BY MERELY PROVIDING ADEQUATE SECURITY FOR COMPANIES. PROGNOSIS IS FOR CONTINUING NEGOTIATIONS WITH EACH SIDE MOVING SLOWLY AWAY FROM ITS OPTIMUM POSITION.
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